

CITY OF CONRAD
INDEPENDENT AUDITOR'S REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2011

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Dietz, Donald & Company

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

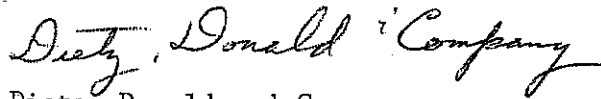
We have audited the accompanying schedule of expenditures of federal awards for the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii of the City of Conrad, Iowa for the year ended June 30, 2011. This financial statement is the responsibility of the City of Conrad's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note B, this financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of federal awards under the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii in conformity with the basis of accounting described in Note B.

Elkader, Iowa
December 5, 2011



Dietz, Donald and Company
Certified Public Accountants
FEIN 42-1172392

CITY OF CONRAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRI-042 08-HSG-007	\$ 761,528 <u>34,337</u>
Total			<u>\$ 795,865</u>

See notes to schedule of federal awards.

CITY OF CONRAD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE A - BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Conrad under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Conrad, it is not intended to and does not present the cash basis financial position and the changes in cash basis financial position of the City of Conrad.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the cash basis of accounting and, accordingly, represent the total cash expended for the program. The Schedule does not include transactions that might be included using the accrual basis of accounting as contemplated by generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments.
- (2) Pass-through entity identifying numbers are presented where available.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE PROGRAM-SPECIFIC
AUDIT OPTION UNDER OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the City of Conrad, Iowa's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii for the year ended June 30, 2011. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Conrad's management. Our responsibility is to express an opinion on the City of Conrad's compliance based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type of compliance requirements referred to above that could have a direct and material effect on Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii occurred. An audit includes examining on a test basis, evidence about the City of Conrad's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Conrad's compliance with those requirements.

In our opinion, the City of Conrad complied, in all material respects, with the compliance requirements referred to above that could have a direct and

material effect on its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii for the year ended June 30, 2011.

Internal Control Over Compliance

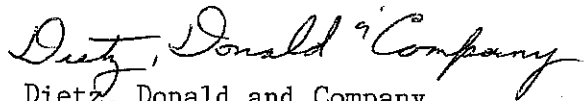
Management of the City of Conrad is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Conrad's internal control over compliance with the requirements that could have a direct and material effect on its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Conrad's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Conrad and other parties to whom the City of Conrad may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Elkader, Iowa
December 5, 2011


Dietz, Donald and Company
Certified Public Accountants
FEIN 42-1172392

CITY OF CONRAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the schedule of expenditures of federal awards which was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the schedule of expenditures of federal awards.
- (c) The audit did not disclose any non-compliance which is material to the schedule of expenditures of federal awards.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the schedule of expenditures of federal awards.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228-Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
- (i) The City of Conrad did not qualify as a low risk auditee.

CITY OF CONRAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

Part II - Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III - Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified.